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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

T1, 2019/2020

BFM7094 – FINANCIAL MARKETS

30 SEPTEMBER 2019
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of **3 pages** with **5 Questions** only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1 (20 MARKS)

In Malaysia, Bank Negara Malaysia (Central Bank) has played important role for Malaysia development.

- a. Discuss the role of Bank Negara Malaysia (Malaysia Central Bank). (10 marks)
- b. Describe (2) types of derivative contracts. (4 marks)
- c. The one-year interest rates over the next five years are expected to be 6%, 7%, 8%, 8% and 6% respectively. Calculate:-
 - i. The interest rates for two-year bond. (3 marks)
 - ii. The interest rates for five-year bond. (3 marks)

QUESTION 2 (20 MARKS)

Financial markets help to efficiently direct the flow of savings and investment in the economy in ways that facilitate the accumulation of capital and the production of goods and services.

- a. Discuss the significance of financial markets to the corporate world. (8 marks)
- b. Briefly explain the risk associated to stock market investment (6 marks)
- c. The Shiraz Berhad just paid a dividend of RM1.40 per share on its stock. The dividends are expected to grow at a constant rate of 6 percent per year indefinitely. If investors require a 12 percent return on the Shiraz's stock,
 - i) What is the current price? (3 marks)
 - ii) What will the price be in third year? (3 marks)

QUESTION 3 (20 MARKS)

Briefly define five (5) of the major types of bond market instruments, noting their distinguishing characteristics.

(20 marks)

Continued....

QUESTION 4 (20 MARKS)

Many financial crises were associated with banking panics and many recessions coincided with these panics.

- a. Discuss **four** (4) factors/sequence of financial crisis which had occurred in the emerging market. (12 marks)
- b. Discuss **four** (4) strategies used by Malaysia during financial crisis 1997-1999. (8 marks)

QUESTION 5 (20 MARKS)

The Financial Services Act 2013 (FSA) and the Islamic Financial Services Act 2013 (IFSA) will be two of the most significant pieces of legislation to impact the Malaysian financial markets and institutions.

- a. Discuss the significance of the Financial Services Act 2013 (FSA) and the Islamic Financial Services Act 2013 (IFSA). (10 marks)
- b. Explain **Four** (4) the features of mutual funds. (10 marks)

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